cashconverters

Trading and Performance Update for the Third Quarter

Cash Converters International Limited is pleased to provide the following trading and performance update based on the third quarter unaudited management accounts for the 2015 financial year.

Financial results summary (Statutory Reporting Basis)	**31 March 2014 QTR**	**31March 2015 QTR**	**Variance %**
Revenue	**85,288,437**	**93,606,675**	**+9.7**
EBITDA	**14,542,915**	**16,307,815**	**+12.1**
EBIT	**12,725,642**	**14,201,671**	**+11.6**
Note: EBIT % increase less than EBITDA % increase due to increase in depreciation charge of $289K for 31 March 2015 QTR			
Geographical split:			
Australia	**15,343,425**	**17,872,222**	**+16.5**
UK	**(800,510)**	**(1,564,407)**	**-95.4**
Divisional EBITDA (Statutory Reporting Basis)	**31 March 2014 QTR**	**31 March 2015 QTR**	**Variance %**
Franchise operations	1,821,782	1,685,391	-7.5
Store operations	4,035,667	3,789,084	-6.1
Financial services - administration	2,476,656	3,252,954	+31.3
Financial services - personal loans	11,100,333	13,155,067	+18.5
Green Light Auto	(165,043)	(694,260)	-320.7
Total before head office costs	**19,269,395**	**21,188,236**	**+10.0**
Corporate head office costs	(4,726,480)	(4,880,421)	-3.3
Total Divisional EBITDA	**14,542,915**	**16,307,815**	**+12.1**

Summary

- Overall strong quarter with revenue up 9.7% and EBITDA up 12.1% on the previous corresponding period (pcp). A solid result from the Australian operations (EBITDA up 16.5% on pcp) was negatively impacted by the poor performance of the UK business (EBITDA down 94.5% on pcp).

Australia

Financial services

- The personal loan book was $110.5 million as at 31 March 2015 (representing growth of 10.2% on a pcp balance of $100.3 million). The personal loan book is down 4.5% from the 31 December 2014 balance of $115.7 million, due to the traditional seasonally slow loan advance period from January through to March. The bad debts written-off/provided for, for the three months ending 31 March 2015 were approximately $3 million higher than the pcp.

- Cash advance loans written increased 2.4% to $60.6 million (pcp: $59.2 million) with strong growth in online cash advance loans written of $2.7 million (growth of 29.2% on pcp of $2.1 million).
- Savings from the termination of the Kentsleigh/Cliffview licence amounted to $1.45 million for the March quarter.
- As previously advised, the Class Action claim against the Company relating to loans in New South Wales remains ongoing.

Corporate stores

- The corporate store revenue of $46.7 million was up 8.2% (pcp: $43.1 million). This is driven by ongoing expansion of the corporate store network in Australia. EBITDA was up 1.4% against the pcp.

Green Light Autos

- The Green Light Auto Group business EBITDA for the quarter was a loss of $694,260 compared to a loss for the corresponding period of $165,043. A number of issues contributed to the loss including the additional investment and overhead from opening a new distribution outlet in NSW, the departure of the National Sales Manager and the impact on collections from technical issues resulting from the implementation of new software.

United Kingdom

Financial services

- The new UK credit legislation came into effect from 2 January 2015. Cash advance volumes have fallen by 12.1% against pcp. Personal loan volumes have been more severely impacted by the change and are down 54.9% on the pcp. This is mainly due to the fact that loans that were written prior to 2 January 2015 cannot be refinanced under the new legislation. Loans advanced prior to 2 January 2015 need to be repaid by the customer in full prior to a new loan being written. Loans advanced post 2 January 2015 can be refinanced in line with the new legislation requirements and the Company's underwriting policy. Now this transition period has been completed during the March quarter, we expect to see an uplift in loans advanced.

Corporate stores

- Corporate stores have suffered from the reduced margin on their cash advance fees from the rate cap introduced on 2 January 2015. Also commissions on personal loans written have decreased for the same reason. UK corporate stores produced an EBITDA loss of $962,206, down 63.3% on pcp. On a positive note, new customer numbers are improving for both products.
- We are gaining a better understanding of the returns available on our loan products in the UK under the new legislation and we are in the process of assessing the range of financial products and structure of the products that we provide in the UK marketplace.

Restructure & cost reduction

- A cost cutting programme has been implemented across our UK business to reduce overheads, particularly overheads related to the personal loan business.
- A restructure is also underway to more effectively manage the UK business. Some senior management changes have already been made.
- An EBITDA loss of approximately $3.1m is expected to be incurred in the second-half across the UK business.

Regulatory Overview

- The ASIC report on small amount credit contracts (SACC) was published in mid-March. The Company continues to monitor our range of financial products to ensure ongoing compliance with the ASIC recommendations.
- Pursuant to the legislation, a review by the Finance Minister of the National Credit Code must be undertaken as soon as practicable after 1 July 2015. The review will be undertaken by three persons who, in the Minister's opinion, possess appropriate qualifications to undertake the review. The Company does not expect the review to result in any major changes to the National Credit Code.

Outlook

- Demand for our financial services product range continues to be strong in Australia and we are pleased with the growth of our online cash advance product.
- We have a finance facility with FleetPartners for funding car purchases for the Green Light Auto Group, a bond facility with FIIG Securities, a bank securitisation facility for our Australian loan book and a bank working capital facility in Australia.
- Our cash flow and cash position is strong and we are well funded to pursue growth.
- The UK business remains under pressure following the implementation of the new regulatory regime. We are reviewing the UK operations to ensure that the current cost structure better matches the size of the business today. The impact of these savings will benefit the business going forward.

Ralph Groom
Company Secretary
Perth, Western Australia
Date: 1 May 2015